

CITY OF WASHINGTON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

CITY OF WASHINGTON, IOWA

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CITY OF WASHINGTON, IOWA
OFFICIALS
June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sandra Johnson	Mayor	January, 2018
Bob Shepherd	Council Member	January, 2016
Russ Zieglowsky	Council Member	January, 2018
Bob Shellmyer	Council Member	January, 2016
Jaron Rosien	Council Member	January, 2018
Mark Kendall	Council Member	January, 2016
Kathy Salazar	Council Member	January, 2018
Brent Hinson	City Administrator	Indefinite
Illa Earnest	City Clerk	Indefinite
Kelsey Brown	City Accountant	Indefinite
Kevin Olson	City Attorney	Indefinite

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KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

To the Honorable Mayor and
Members of the City Council

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 5 to the financial statements, City of Washington adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Washington's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (none of which are presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ended June 30, 2012 (none of which are presented herein), were audited by other auditors whose report expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements.

The supplementary information included in page 1 and pages 35 through 41, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 5e and 29 through 34, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2016 on our consideration of the City of Washington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Washington's internal control over financial reporting and compliance.

Carnewohl, Ben, Kyhan & W. P. C.

Atlantic, Iowa
January 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Washington provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 18.6%, or approximately \$1,383,000, from fiscal year 2014 to fiscal year 2015. Bond proceeds decreased approximately \$193,000 while Capital Grants, contributions, and restricted interest increased approximately \$1,581,000.
- Disbursements of the City's governmental activities increased 17.7%, or approximately \$1,294,000, in fiscal year 2015 from fiscal year 2014, mostly due to increased capital projects disbursements.
- The City's total cash basis net position decreased 9.9%, or approximately \$828,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased approximately \$434,000 and the cash basis net position of the business type activities decreased approximately \$394,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

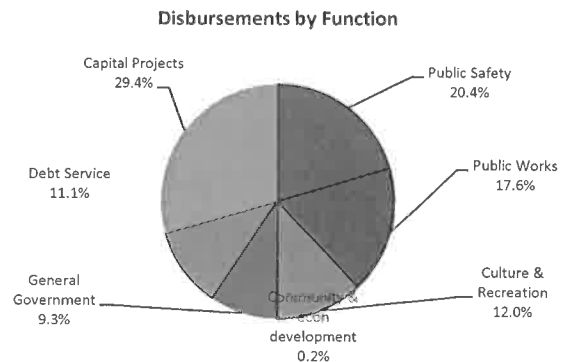
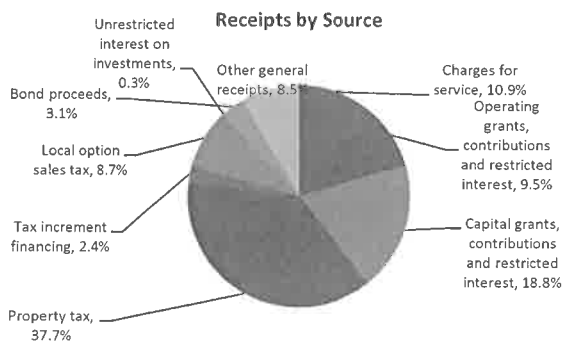
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from approximately \$5.391 million to approximately \$4.957 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes In Cash Basis Net Position of Governmental Activities

	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 956,957	\$ 914,608
Operating grants, contributions and restricted interest	841,217	887,984
Capital grants, contributions and restricted interest	1,660,041	79,279
General receipts:		
Property tax	3,326,479	3,266,376
Tax increment financing	215,206	149,557
Local option sales tax	766,736	759,039
Unrestricted interest on investments	23,141	10,696
Bond proceeds	273,350	466,598
Other general receipts	751,922	897,827
Total receipts	<u>8,815,049</u>	<u>7,431,964</u>
Disbursements:		
Public safety	1,752,423	1,696,702
Public works	1,517,128	1,285,350
Culture and recreation	1,036,518	954,821
Community and economic development	15,342	62,752
General government	802,057	855,125
Debt service	950,438	888,347
Capital projects	2,535,258	1,572,030
Total disbursements	<u>8,609,164</u>	<u>7,315,127</u>
Change in cash basis net position before transfers	205,885	116,837
Transfers net	<u>(639,480)</u>	<u>95,724</u>
Change in cash basis net position	<u>(433,595)</u>	<u>212,561</u>
Cash basis net position beginning of year	<u>5,390,791</u>	<u>5,178,230</u>
Cash basis net position end of year	<u>\$ 4,957,196</u>	<u>\$ 5,390,791</u>



The City's total receipts for governmental activities increased 18.6%, or approximately \$1,383,000. The total cost of all programs and services increased approximately \$1,294,000, or 17.7%, with no new programs added this year. The significant increase in receipts and disbursements was primarily due to the capital projects disbursements for airport improvements and the related federal grant reimbursements.

The cost of all governmental activities this year was approximately \$8.609 million compared to approximately \$7.315 million last year. However, as shown in the Statement of Activities and Net Position on pages 6-7, the amount taxpayers ultimately financed for these activities was approximately \$5.151 million because some of the cost was paid by those who directly benefited from the programs (approximately \$957,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,501,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$1,882,000 to approximately \$3,458,000, principally due to receiving grant proceeds in fiscal year 2015 for the airport improvements.

Changes in Cash Basis Net Position of Business Type Activities		
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,619,229	\$ 1,603,339
Sewer	2,030,093	2,005,962
Sanitation charges	393,233	385,654
Capital grants, contributions and restricted interest		
General receipts:		
Bond proceeds	--	223,926
Other miscellaneous receipts	3,442	30,756
Total receipts	<u>4,045,997</u>	<u>4,249,637</u>
Disbursements:		
Water	2,597,106	1,481,508
Sewer	2,099,835	1,875,521
Sanitation	382,536	338,827
Total disbursements	<u>5,079,477</u>	<u>3,695,856</u>
Change in cash basis net position before transfer	(1,033,480)	553,781
Transfers net	<u>639,480</u>	<u>(95,724)</u>
Change in cash basis net position	(394,000)	458,057
Cash basis net position beginning of year	<u>2,961,207</u>	<u>2,503,150</u>
Cash basis net position end of year	<u>\$ 2,567,207</u>	<u>\$ 2,961,207</u>

Total business type activities receipts for the fiscal year were approximately \$4.046 million compared to approximately \$4.250 million last year. This decrease was due primarily to the receipt of revenue bond proceeds in fiscal year 2014 that were not received in fiscal year 2015. The cash balance decreased approximately \$394,000 from the prior year because the remaining cost for the sewer plant was expended in fiscal year 2015. Total disbursements for the fiscal year increased 37.4% to approximately \$5.079 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$4,851,260, a decrease of more than \$476,000 from last year's total of \$5,328,032. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance increased \$213,536 from the prior year to \$1,061,581.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$80,786 to \$674,887 during the fiscal year. This decrease is attributable to transfers out of the Road Use Tax Fund to the Capital Projects Fund and Capital Equipment Fund for Material Storage Building and future equipment purchases, respectively.
- The Local Option Sales Tax cash balance stayed at zero for the fiscal year. This is attributable to transfers into and out of the fund on a monthly basis to the General Fund and the Capital Equipment Fund as designated by the Local Option Sales Tax ballot.
- The Capital Projects Fund cash balance decreased by \$554,864 to \$2,295,314, chiefly due to the increase in project expenditures for the fiscal year.
- The Debt Service Fund cash balance increased \$793 from the prior year to \$3,758 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$13,386 to \$945,001, due primarily to an increase in the sale of water and rates from the prior year.
- The Enterprise, Sewer Fund cash balance decreased \$444,256 to \$1,465,053, due primarily to sewer capital projects.
- The Enterprise, Sanitation Fund cash balance increased \$18,705 to \$118,398.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments were approved on December 16, 2014 and May 19, 2015 and resulted in increased budgeted revenues of \$409,046 and an increase in operating disbursements of \$630,028 for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$1,286,823 less than budgeted.

Total disbursements were \$1,020,153 less than the amended budget. Actual disbursements exceeded amounts budgeted in the capital projects function.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$20,363,215 of bonds and other long-term debt outstanding, compared to \$21,063,477 last year, as shown below.

Outstanding Debt at Year End		
	June 30,	
	2015	2014
General obligation bonds	\$ 4,438,282	\$ 4,908,714
Revenue bonds	15,787,000	15,948,135
Urban renewal tax increment financing	94,500	116,000
Other notes	43,433	90,628
Total	<u>\$ 20,363,215</u>	<u>\$ 21,063,477</u>

Debt decreased as a result of paying principal payments on the general obligation bonds, revenue bonds, and urban renewal tax increment financing debt.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and urban renewal tax increment financing of \$4,532,782 is below the City's \$17.6 million legal debt limit. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2016 fiscal year budget, tax rates, and fees that will be charged for various City activities. Those factors may include the economy, employment rates, operating expenses, capital projects and increases in service and state mandates.

For fiscal year 2016, the City of Washington has projected and budgeted the following major projects; Avenue H Reconstruction approximately \$110,000, Taxiway for Large Hangar at the Airport approximately \$405,972, Elevated North Water Tower \$1,343,986 and Washington Business Park Phase 1 approximately \$2,035,000. Other projects include the Sitler Drive Widening, Municipal Building/facilities planning, and completion of the Airport Cross-Wind Runway Project and Ground Storage Reservoir.

The City Council passed an ordinance to increase water, sewer and sanitation rates by 3.50% effective the first day of July each year beginning in 2013, unless otherwise amended.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brent Hinson, City Administrator, City of Washington, 215 East Washington Street, Washington, Iowa 52353.

CITY OF WASHINGTON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2015

		Program Receipts	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,752,423	\$ 7,698	\$ 37,415
Public works	1,517,128	489,320	755,537
Culture and recreation	1,036,518	166,413	48,265
Community and economic development	15,342	--	--
General government	802,057	293,526	--
Debt service	950,438	--	--
Capital projects	2,535,258	--	--
Total governmental activities	<u>8,609,164</u>	<u>956,957</u>	<u>841,217</u>
Business type activities:			
Water	2,597,106	1,619,229	--
Sewer	2,099,835	2,030,093	--
Sanitation	382,536	393,233	--
Total business type activities	<u>5,079,477</u>	<u>4,042,555</u>	<u>--</u>
Total	<u>\$ 13,688,641</u>	<u>\$ 4,999,512</u>	<u>\$ 841,217</u>
General Receipts and Transfers:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Debt proceeds			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$(1,707,310)	\$ --	\$(1,707,310)
--	(272,271)	--	(272,271)
--	(821,840)	--	(821,840)
--	(15,342)	--	(15,342)
--	(508,531)	--	(508,531)
--	(950,438)	--	(950,438)
<u>1,660,041</u>	<u>(875,217)</u>	<u>--</u>	<u>(875,217)</u>
<u>1,660,041</u>	<u>(5,150,949)</u>	<u>--</u>	<u>(5,150,949)</u>
--	--	(977,877)	(977,877)
--	--	(69,742)	(69,742)
<u>--</u>	<u>--</u>	<u>10,697</u>	<u>10,697</u>
<u>--</u>	<u>--</u>	<u>(1,036,922)</u>	<u>(1,036,922)</u>
<u>\$ 1,660,041</u>	<u>(5,150,949)</u>	<u>(1,036,922)</u>	<u>(6,187,871)</u>
	2,462,326	--	2,462,326
	864,153	--	864,153
	215,206	--	215,206
	766,736	--	766,736
	23,141	--	23,141
	273,350	--	273,350
	751,922	3,442	755,364
	<u>(639,480)</u>	<u>639,480</u>	<u>--</u>
	<u>4,717,354</u>	<u>642,922</u>	<u>5,360,276</u>
	(433,595)	(394,000)	(827,595)
	<u>5,390,791</u>	<u>2,961,207</u>	<u>8,351,998</u>
	<u>\$ 4,957,196</u>	<u>\$ 2,567,207</u>	<u>\$ 7,524,403</u>

CITY OF WASHINGTON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2015

		<u>Program Receipts</u>
		<u>Operating Grants, Contributions, and Restricted Interest</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
Cash Basis Net Position		
Restricted:		
Expendable:		
Debt service		
Streets		
Capital projects		
Park purposes		
Library purposes		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 3,758	\$ --	\$ 3,758
	674,887	--	674,887
	2,255,496	--	2,255,496
	154,261	--	154,261
	424,869	--	424,869
	110,570	--	110,570
	<u>1,333,355</u>	<u>2,567,207</u>	<u>3,900,562</u>
	<u>\$ 4,957,196</u>	<u>\$ 2,567,207</u>	<u>\$ 7,524,403</u>

CITY OF WASHINGTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	<u>General</u>	<u>Special Revenue</u> <u>Road Use</u>	<u>Local Option</u> <u>Sales Tax</u>
Receipts:			
Property tax	\$ 1,748,180	\$ --	\$ --
Tax increment financing	--	--	--
Other city tax	--	--	766,736
Licenses and permits	58,908	--	--
Use of money and property	22,240	--	--
Intergovernmental	6,765	755,537	--
Charges for service	131,127	--	--
Special assessments	--	--	--
Miscellaneous	373,829	14,714	--
Total receipts	<u>2,341,049</u>	<u>770,251</u>	<u>766,736</u>
Disbursements:			
Operating:			
Public safety	1,752,173	--	--
Public works	115,640	906,286	--
Culture and recreation	766,185	--	--
Community and economic development	--	--	--
General government	776,175	--	--
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	<u>3,410,173</u>	<u>906,286</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	(1,069,124)	(136,035)	766,736
Other financing sources (uses):			
Sale of capital assets	24,700	--	--
Debt proceeds	--	--	--
Operating transfers in	1,331,198	115,519	--
Operating transfers out	(73,238)	(60,270)	(766,736)
Total other financing sources (uses)	<u>1,282,660</u>	<u>55,249</u>	<u>(766,736)</u>
Change in cash balances	213,536	(80,786)	--
Cash balances beginning of year	<u>848,045</u>	<u>755,673</u>	<u>--</u>
Cash balances end of year	<u>\$ 1,061,581</u>	<u>\$ 674,887</u>	<u>\$ --</u>

(continued next page)

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 864,153	\$ 655,193	\$ 3,267,526
--	--	215,206	215,206
--	--	58,953	825,689
--	--	--	58,908
111	2	788	23,141
1,615,149	--	--	2,377,451
--	--	--	131,127
26,758	--	--	26,758
507,584	--	695,066	1,591,193
<u>2,149,602</u>	<u>864,155</u>	<u>1,625,206</u>	<u>8,516,999</u>
--	--	250	1,752,423
--	--	495,202	1,517,128
--	--	270,333	1,036,518
--	--	15,342	15,342
--	--	287	776,462
--	923,971	26,467	950,438
<u>2,535,258</u>	<u>--</u>	<u>--</u>	<u>2,535,258</u>
<u>2,535,258</u>	<u>923,971</u>	<u>807,881</u>	<u>8,583,569</u>
(385,656)	(59,816)	817,325	(66,570)
--	--	--	24,700
273,350	--	--	273,350
1,111,550	60,609	27,843	2,646,719
(1,554,108)	--	(900,619)	(3,354,971)
<u>(169,208)</u>	<u>60,609</u>	<u>(872,776)</u>	<u>(410,202)</u>
(554,864)	793	(55,451)	(476,772)
<u>2,850,178</u>	<u>2,965</u>	<u>871,171</u>	<u>5,328,032</u>
<u>\$ 2,295,314</u>	<u>\$ 3,758</u>	<u>\$ 815,720</u>	<u>\$ 4,851,260</u>

CITY OF WASHINGTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2015

	<u>General</u>	<u>Special Revenue</u> <u>Road Use</u>	<u>Local Option</u> <u>Sales Tax</u>
Cash Basis Fund Balances			
Restricted for:			
Debt Service	\$ --	\$ --	\$ --
Streets	--	674,887	--
Capital projects	--	--	--
Park purposes	--	--	--
Library purposes	--	--	--
Other purposes	--	--	--
Assigned to:			
Capital equipment	--	--	--
Airport	--	--	--
Unassigned	<u>1,061,581</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 1,061,581</u>	<u>\$ 674,887</u>	<u>\$ --</u>

The accompanying notes are an integral part of these statements.

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 3,758	\$ --	\$ 3,758
--	--	--	674,887
2,255,496	--	--	2,255,496
--	--	154,261	154,261
--	--	424,869	424,869
--	--	110,570	110,570
39,818	--	--	39,818
--	--	126,020	126,020
--	--	--	1,061,581
<u>\$ 2,295,314</u>	<u>\$ 3,758</u>	<u>\$ 815,720</u>	<u>\$ 4,851,260</u>

CITY OF WASHINGTON, IOWA
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
 DISBURSEMENTS AND CHANGES IN CASH BALANCES
 TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION -
 GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

Total governmental funds cash balances (page 8)	\$ 4,851,260
---	--------------

Amounts reported for governmental activities in the
 Cash Basis Statement of Activities and Net Position are
 different because:

The Internal Service Fund is used by management to charge the
 costs of partial self funding of the City's health insurance
 benefit plan to individual funds. A portion of the cash balance of
 the Internal Service Fund is included in governmental activities
 in the Cash Basis Statement of Activities and Net Position.

105,936

Cash basis net position of governmental activities (page 6)	\$ <u>4,957,196</u>
---	---------------------

Change in cash balances (Page 8)	\$(476,772)
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Amounts reported for governmental activities in the Cash Basis
 Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the
 costs of partial self funding of the City's health insurance
 benefit plan to individual funds. A portion of the change in the
 cash balance of the Internal Service Fund is reported with
 governmental activities in the Cash Basis Statement of Activities
 and Net Position

43,177

Change in cash basis net position of governmental activities (page 6)	\$(<u>433,595</u>)
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The accompanying notes are an integral part of these statements.

CITY OF WASHINGTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2015

	Enterprise	
	Water	Sewer
Operating receipts:		
Charges for service	\$ 1,619,229	\$ 2,030,093
Total operating receipts	<u>1,619,229</u>	<u>2,030,093</u>
Operating disbursements:		
General government	--	--
Business type activities	<u>1,066,050</u>	<u>998,642</u>
Total operating disbursements	<u>1,066,050</u>	<u>998,642</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	553,179	1,031,451
Non-operating receipts (disbursements):		
Miscellaneous	1,796	1,638
Capital projects	(1,525,999)	(378,873)
Debt service	<u>--</u>	<u>(716,610)</u>
Net non-operating receipts (disbursements)	<u>(1,524,203)</u>	<u>(1,093,845)</u>
Excess (deficiency) of receipts over (under) disbursements	(971,024)	(62,394)
Operating transfers in	1,498,718	--
Operating transfers out	<u>(514,308)</u>	<u>(381,862)</u>
Change in cash balances	13,386	(444,256)
Cash balances beginning of year	<u>931,615</u>	<u>1,909,309</u>
Cash balances end of year	<u>\$ 945,001</u>	<u>\$ 1,465,053</u>
Cash Basis Fund Balances		
Unrestricted	<u>\$ 945,001</u>	<u>\$ 1,465,053</u>
Total cash basis fund balances	<u>\$ 945,001</u>	<u>\$ 1,465,053</u>

The accompanying notes are an integral part of these statements.

<u>Enterprise</u>		<u>Internal Service Health Insurance</u>
<u>Sanitation Nonmajor</u>	<u>Total</u>	
\$ 393,233	\$ 4,042,555	\$ --
393,233	4,042,555	--
--	--	36,362
382,536	2,447,228	--
382,536	2,447,228	36,362
10,697	1,595,327	(36,362)
8	3,442	--
--	(1,904,872)	--
--	(716,610)	--
8	(2,618,040)	--
10,705	(1,022,713)	(36,362)
8,000	1,506,718	97,704
--	(896,170)	--
18,705	(412,165)	61,342
99,693	2,940,617	83,349
\$ 118,398	\$ 2,528,452	\$ 144,691
\$ 118,398	\$ 2,528,452	\$ 144,691
\$ 118,398	\$ 2,528,452	\$ 144,691

CITY OF WASHINGTON, IOWA
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
 DISBURSEMENTS AND CHANGES IN CASH BALANCES
 TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION -
 PROPRIETARY FUNDS

As of and for the year ended June 30, 2015

Total enterprise funds cash balances (page 11)	\$ 2,528,452
--	--------------

Amounts reported for business type activities in the Cash
 Basis Statement of Activities and Net Position are different
 because:

The Internal Service Fund is used by management to charge the
 costs of partial self funding of the City's health insurance
 benefit plan to individual funds. A portion of the cash balance of
 the Internal Service Fund is included in business type activities
 in the Cash Basis Statement of Activities and Net Position.

38,755

Cash basis net position of business type activities (page 6)	<u>\$ 2,567,207</u>
--	---------------------

Change in cash balances (Page 11)	\$(412,165)
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Amounts reported for business type activities in the Cash Basis
 Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the
 costs of partial self funding of the City's health insurance
 benefit plan to individual funds. A portion of the change in the
 cash balance of the Internal Service Fund is reported with business
 type activities in the Cash Basis Statement of Activities and Net
 Position

18,165

Change in cash basis net position of business type activities (page 6)	<u>\$(394,000)</u>
--	---------------------

The accompanying notes are an integral part of these statements.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Washington, Iowa is a political subdivision of the State of Iowa located in Washington County. It was first incorporated in 1864 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development, and general government services. The City also provides water and sewer utilities, and sanitation services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Washington has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Component Unit

The Washington Free Public Library Foundation, which is a non-profit corporation that is legally separate from the City, is a component unit because its purpose is to provide benefits to the City of Washington's Public Library. The component unit has been included with the nonmajor governmental funds of the City of Washington.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Washington County Assessor's Conference Board, Washington County Emergency Management Commission, Washington County Joint E911 Service Board, Washington County Public Safety Committee, and Southeast Iowa Multi-County Solid Waste Agency.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection and use of local option sales tax.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

Enterprise:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

The Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the capital projects function.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,987,414 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue capital loan notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal TIF Revenue Capital Loan Note	
	Principal	Interest	Principal	Interest
2016	\$ 739,892	\$ 167,049	\$ 22,000	\$ 4,064
2017	759,892	144,375	23,500	3,118
2018	733,606	119,771	24,000	2,107
2019	204,892	94,038	25,000	1,075
2020	160,000	87,560	--	--
2021-2025	930,000	334,750	--	--
2026-2030	910,000	107,620	--	--
2031-2035	--	--	--	--
2036-2040	--	--	--	--
2041-2045	--	--	--	--
	<u>\$ 4,438,282</u>	<u>\$ 1,055,163</u>	<u>\$ 94,500</u>	<u>\$ 10,364</u>

Year Ending June 30,	Revenue Bonds		Other Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 164,000	\$ 513,078	\$ 14,178	\$ 912	\$ 940,070	\$ 685,103
2017	166,000	507,748	14,474	616	963,866	655,857
2018	437,000	502,353	14,781	310	1,209,387	624,541
2019	451,000	488,151	--	--	680,892	583,264
2020	466,000	473,493	--	--	626,000	561,053
2021-2025	2,565,000	2,130,312	--	--	3,495,000	2,465,062
2026-2030	3,011,000	1,685,454	--	--	3,921,000	1,793,074
2031-2035	3,531,000	1,163,437	--	--	3,531,000	1,163,437
2036-2040	4,144,000	551,039	--	--	4,144,000	551,039
2041-2045	852,000	32,469	--	--	852,000	32,469
	<u>\$ 15,787,000</u>	<u>\$ 8,047,534</u>	<u>\$ 43,433</u>	<u>\$ 1,838</u>	<u>\$ 20,363,215</u>	<u>\$ 9,114,899</u>

The Code of Iowa requires principal and interest on general obligation bonds to be paid from the Debt Service Fund.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Urban Renewal Tax Increment Financing Revenue Capital Loan Notes

The City issued urban renewal tax increment financing (TIF) revenue notes for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The notes are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the notes. The proceeds of the Urban Renewal Tax Increment Financing shall be expended only for purposes that are consistent with the plans of the City's urban renewal area. The notes are not general obligations of the City; however, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the notes is \$104,864, payable through 2019. For the current year, principal and interest paid and total TIF receipts were \$26,467 and \$215,206, respectively.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay two revenue bond issues. The bonds were issued between September, 2011 and April, 2012. Proceeds from the bonds provided financing for the construction of sewer system projects and construction of a new waste water treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2042. Annual principal and interest on the bonds are expected to require less than 66% of net receipts. The total principal and interest remaining to be paid on the bonds is \$23,834,534. For the current year, principal and interest paid and total customer net receipts were \$681,033 and \$1,031,451, respectively.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sewer user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements due in the same year.

Other Notes

The City issued a note in December, 2013 in the amount of \$33,000 for the purchase of a police vehicle. The note is through Washington State Bank and had an interest rate of 1.96%. The note was paid off during fiscal year 2015. The police vehicle served as collateral for the note.

The City issued a note in October, 2013 in the amount of \$57,628 for the purchase of records management software. The note is through Washington State Bank and has an interest rate of 2.10%. Payments of \$15,090 are to be paid annually through July, 2017. The records management software serves as collateral for the note.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - INDUSTRIAL DEVELOPMENT REVENUE BOND

The City has issued a \$2,400,000 elderly housing revenue bond under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

NOTE 5 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - PENSION PLAN - Continued

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$244,921.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$800,452. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.020183%, which was a decrease of 0.005649% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$94,646, \$284,137 and \$583,721 respectively.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00%
Salary increases (effective June 30, 2014)	4.00%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability (asset)	\$ 2,113,256	\$ 800,452	\$(307,079)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical, prescription drug, dental, and vision benefits for employees, retirees, and their spouses. There are 47 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical, prescription drug, dental, and vision benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$430 for single coverage and \$1,319 for family coverage. For the year ended June 30, 2015, the City contributed \$384,986 and plan members eligible for benefits contributed \$61,292 to the plan.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2015, primarily relating to the General Fund, is \$114,000, based on rates of pay in effect at June 30, 2015.

NOTE 8 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were approximately \$134,000.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 - RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation in the amount of \$1,000,000. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Liability Insurance	\$ 58,953
	Local Option Sales Tax	654,184
	Employee Benefits	524,155
	Urban Renewal TIF	53,606
	Capital Projects	40,300
		<u>1,331,198</u>
Special Revenue:	General	50,000
Road Use Tax	Special Revenue:	
	Employee Benefits	<u>65,519</u>
		115,519
Special Revenue:	Special Revenue:	
Housing Rehabilitation	Urban Renewal TIF	17,843
Debt Service	Capital Projects	15,090
	Enterprise:	
	Water	15,000
	Sewer	<u>30,519</u>
		60,609
Capital Projects	General	2,238
	Special Revenue:	
	Local Option Sales Tax	112,552
	Road Use	60,270
	Urban Renewal TIF	114,771
	Enterprise:	
	Sewer	336,000
	Water	<u>485,719</u>
		1,111,550
Special Revenue:	General	10,000
Cemetery Gift		
Enterprise:	Capital Projects	1,498,718
Water		
Enterprise:	General	8,000
Sanitation		

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 - INTERFUND TRANSFERS - Continued

Internal Service:		
Health Insurance	General	\$ 3,000
	Special Revenue:	
	Employee Benefits	65,519
	Airport	253
	Enterprise:	
	Sewer	15,343
	Water	13,589
		<u>97,704</u>
		<u>\$ 4,251,141</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 10 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$ 772 during the year ended June 30, 2015.

NOTE 11 - COMMITMENTS

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The commitments of the City are for a ground storage reservoir project with a remaining cost of \$81,644, which will be paid with existing funds of the City.

NOTE 12 - OPERATING LEASES - LESSOR

The City leases farm land around the airport to two individuals. The lease terms are on a year-to-year basis. Rental income for the year ended June 30, 2015 totaled \$71,923.

The City leases hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2015 totaled \$35,770.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 13 - CAPITAL LEASE

The City leases a sewer camera. The lease has a term of three years expiring December, 2015, with the option to purchase for \$1 at the end of the term. Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2016	\$ 35,577

NOTE 14 - SUBSEQUENT EVENT

The City issued \$250,000 of general obligation capital loan notes in July, 2015 for the purpose of funding various street project expenditures. The City was advanced \$23,350 on these notes in June, 2015.

The City has evaluated all subsequent events through January 9, 2016, the date the financial statements were available to be issued.

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OTHER INFORMATION

CITY OF WASHINGTON, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION

Year ended June 30, 2015

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds not Required to be Budgeted</u>
Receipts:			
Property tax	\$ 3,267,526	\$ --	\$ --
Tax increment financing	215,206	--	--
Other city tax	825,689	--	--
Licenses and permits	58,908	--	--
Use of money and property	23,141	--	620
Intergovernmental	2,377,451	--	--
Charges for service	131,127	4,042,555	--
Special assessments	26,758	--	--
Miscellaneous	<u>1,591,193</u>	<u>3,442</u>	<u>216,110</u>
Total receipts	<u>8,516,999</u>	<u>4,045,997</u>	<u>216,730</u>
Disbursements:			
Public safety	1,752,423	--	--
Public works	1,517,128	--	--
Culture and recreation	1,036,518	--	218,170
Community and economic development	15,342	--	--
General government	776,462	36,362	36,362
Debt service	950,438	--	--
Capital projects	2,535,258	--	--
Business type activities	<u>--</u>	<u>5,068,710</u>	<u>--</u>
Total disbursements	<u>8,583,569</u>	<u>5,105,072</u>	<u>254,532</u>
Excess (deficiency) of receipts over (under) disbursements	(66,570)	(1,059,075)	(37,802)
Other financing sources (uses), net	<u>(410,202)</u>	<u>708,252</u>	<u>97,704</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(476,772)	(350,823)	59,902
Balances beginning of year	<u>5,328,032</u>	<u>3,023,966</u>	<u>258,383</u>
Balances end of year	<u>\$ 4,851,260</u>	<u>\$ 2,673,143</u>	<u>\$ 318,285</u>

See accompanying independent auditor's report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 3,267,526	\$ 3,283,612	\$ 3,283,612	\$(16,086)
215,206	215,280	215,280	(74)
825,689	748,521	748,521	77,168
58,908	120,000	120,000	(61,092)
22,521	135,973	135,973	(113,452)
2,377,451	1,444,522	1,773,184	604,267
4,173,682	4,654,389	4,654,389	(480,707)
26,758	35,500	35,500	(8,742)
<u>1,378,525</u>	<u>12,600</u>	<u>92,984</u>	<u>1,285,541</u>
<u>12,346,266</u>	<u>10,650,397</u>	<u>11,059,443</u>	<u>1,286,823</u>
1,752,423	1,757,569	1,760,569	8,146
1,517,128	1,645,372	2,028,872	511,744
818,348	832,773	860,437	42,089
15,342	19,570	19,570	4,228
776,462	720,121	833,207	56,745
950,438	950,458	950,458	20
2,535,258	1,171,823	1,254,825	(1,280,433)
<u>5,068,710</u>	<u>6,726,548</u>	<u>6,746,324</u>	<u>1,677,614</u>
<u>13,434,109</u>	<u>13,824,234</u>	<u>14,454,262</u>	<u>1,020,153</u>
(1,087,843)	(3,173,837)	(3,394,819)	2,306,976
<u>200,346</u>	<u>2,350,000</u>	<u>2,380,000</u>	<u>(2,179,654)</u>
(887,497)	(823,837)	(1,014,819)	127,322
<u>8,093,615</u>	<u>5,372,892</u>	<u>5,372,892</u>	<u>2,720,723</u>
<u>\$ 7,206,118</u>	<u>\$ 4,549,055</u>	<u>\$ 4,358,073</u>	<u>\$ 2,848,045</u>

CITY OF WASHINGTON, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for its blended component unit and Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$630,028. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the capital projects function.

See accompanying independent auditor's report.

CITY OF WASHINGTON, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*

OTHER INFORMATION

City's proportion of the net pension liability	0.020183%
City's proportionate share of the net pension liability	\$ 800,000
City's covered-employee payroll:	\$ 2,487,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.17%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30,

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Note: Amounts are rounded.

See accompanying independent auditor's report.

CITY OF WASHINGTON, IOWA
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 3 FISCAL YEARS

OTHER INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 245,000	\$ 232,000	\$ 224,000
Contributions in relation to the statutorily required contribution	<u>(245,000)</u>	<u>(232,000)</u>	<u>(224,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 2,620,000	\$ 2,487,000	\$ 2,452,000
Contributions as a percentage of covered-employee payroll	9.35%	9.33%	9.14%

Note: Amounts are rounded.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF WASHINGTON, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

(continued next page)

CITY OF WASHINGTON, IOWA

NOTES TO OTHER INFORMATION - PENSION LIABILITY - Continued

YEAR ENDED JUNE 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF WASHINGTON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	Special Revenue				
	Airport	Employee Benefits	Liability Insurance	Urban Renewal TIF	Housing Rehabilitation
Receipts:					
Property tax	\$ --	\$ 655,193	\$ --	\$ --	\$ --
Tax increment financing	--	--	--	215,206	--
Other City tax	--	--	58,953	--	--
Use of money and property	--	--	--	--	--
Miscellaneous	427,876	--	--	--	5,398
Total receipts	427,876	655,193	58,953	215,206	5,398
Disbursements:					
Operating:					
Public safety	--	--	--	--	--
Public works	495,202	--	--	--	--
Culture and recreation	--	--	--	--	--
Community and economic development	--	--	--	1,075	3,449
General government	--	--	--	--	--
Debt service	--	--	--	26,467	--
Total disbursements	495,202	--	--	27,542	3,449
Excess (deficiency) of receipts over (under) disbursements	(67,326)	655,193	58,953	187,664	1,949
Other financing sources (uses):					
Operating transfers in	--	--	--	--	17,843
Operating transfers out	(253)	(655,193)	(58,953)	(186,220)	--
Total other financing sources (uses)	(253)	(655,193)	(58,953)	(186,220)	17,843
Change in cash balances	(67,579)	--	--	1,444	19,792
Cash balances beginning of year	193,599	--	--	--	26,673
Cash balances end of year	\$ 126,020	\$ --	\$ --	\$ 1,444	\$ 46,465

(continued next page)

Special Revenue						Component Unit	
Dog Park	Tree	Park	Library Trust	Cemetery Gift	Police Forfeiture	Library Foundation	Total
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 655,193
--	--	--	--	--	--	--	215,206
--	--	--	--	--	--	--	58,953
--	--	3	165	--	--	620	788
<u>736</u>	<u>10,721</u>	<u>22,280</u>	<u>11,392</u>	<u>150</u>	<u>403</u>	<u>216,110</u>	<u>695,066</u>
<u>736</u>	<u>10,721</u>	<u>22,283</u>	<u>11,557</u>	<u>150</u>	<u>403</u>	<u>216,730</u>	<u>1,625,206</u>
--	--	--	--	--	250	--	250
--	--	--	--	--	--	--	495,202
--	--	38,510	13,653	--	--	218,170	270,333
--	10,818	--	--	--	--	--	15,342
<u>287</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>287</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>26,467</u>
<u>287</u>	<u>10,818</u>	<u>38,510</u>	<u>13,653</u>	<u>--</u>	<u>250</u>	<u>218,170</u>	<u>807,881</u>
449	(97)	(16,227)	(2,096)	150	153	(1,440)	817,325
--	--	--	--	10,000	--	--	27,843
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(900,619)</u>
--	--	--	--	10,000	--	--	(872,776)
449	(97)	(16,227)	(2,096)	10,150	153	(1,440)	(55,451)
<u>5,892</u>	<u>6,114</u>	<u>170,488</u>	<u>253,371</u>	<u>40,000</u>	<u>--</u>	<u>175,034</u>	<u>871,171</u>
<u>\$ 6,341</u>	<u>\$ 6,017</u>	<u>\$ 154,261</u>	<u>\$ 251,275</u>	<u>\$ 50,150</u>	<u>\$ 153</u>	<u>\$ 173,594</u>	<u>\$ 815,720</u>

CITY OF WASHINGTON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2015

	Special Revenue				
	<u>Airport</u>	<u>Employee Benefits</u>	<u>Liability Insurance</u>	<u>Urban Renewal TIF</u>	<u>Housing Rehabilitation</u>
Cash Basis Fund Balances					
Restricted for:					
Park purposes	\$ --	\$ --	\$ --	\$ --	\$ --
Library purposes	--	--	--	--	--
Other purposes	--	--	--	1,444	46,465
Assigned to:					
Airport	<u>126,020</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 126,020</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,444</u>	<u>\$ 46,465</u>

See accompanying independent auditor's report.

Special Revenue						Component Unit	
Dog Park	Tree	Park	Library Trust	Cemetery Gift	Police Forfeiture	Library Foundation	Total
\$ --	\$ --	\$154,261	\$ --	\$ --	\$ --	\$ --	\$ 154,261
--	--	--	251,275	--	--	173,594	424,869
6,341	6,017	--	--	50,150	153	--	110,570
--	--	--	--	--	--	--	126,020
<u>\$ 6,341</u>	<u>\$ 6,017</u>	<u>\$154,261</u>	<u>\$ 251,275</u>	<u>\$ 50,150</u>	<u>\$ 153</u>	<u>\$ 173,594</u>	<u>\$ 815,720</u>

CITY OF WASHINGTON, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Capital loan note	06/17/09	1.25-4.80%	\$ 3,500,000
Capital loan note	06/18/08	2.50-4.00%	4,355,000
Capital loan note	07/02/12	1.50%	250,000
Capital loan note	07/01/13	0.75%	250,000
Capital loan note	07/01/14	0.55-1.80%	250,000
Total General Obligation Notes and Bonds			
Revenue Bonds:			
Sewer revenue	09/21/11	3.00%	16,316,000
Sewer revenue	04/04/12	3.00%	3,000,000
Total Revenue Bonds			
Urban Renewal TIF Revenue Notes:			
Urban Renewal Series 2006	09/15/06	4.30-5.38%	280,000
Total Urban Renewal TIF Revenue Notes			
Other Notes:			
Police RMS System	10/04/13	2.10%	57,628
Police Tahoe	12/31/13	1.96%	33,000
Total Other Notes			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 2,675,000	\$ --	\$ 130,000	\$ 2,545,000	\$ 109,130	\$ 8,681
1,885,000	--	440,000	1,445,000	72,010	4,617
150,000	--	50,000	100,000	2,250	123
198,714	--	50,000	148,714	1,490	92
<u>--</u>	<u>250,000</u>	<u>50,432</u>	<u>199,568</u>	<u>2,568</u>	<u>217</u>
<u>\$ 4,908,714</u>	<u>\$ 250,000</u>	<u>\$ 720,432</u>	<u>\$ 4,438,282</u>	<u>\$ 187,448</u>	<u>\$ 13,730</u>
\$13,193,405	\$ --	\$ 99,405	\$ 13,094,000	\$ 430,369	\$ 34,977
<u>2,754,730</u>	<u>--</u>	<u>61,730</u>	<u>2,693,000</u>	<u>89,529</u>	<u>7,194</u>
<u>\$15,948,135</u>	<u>\$ --</u>	<u>\$ 161,135</u>	<u>\$ 15,787,000</u>	<u>\$ 519,898</u>	<u>\$ 42,171</u>
\$ 116,000	\$ --	\$ 21,500	\$ 94,500	\$ 4,967	\$ 334
<u>\$ 116,000</u>	<u>\$ --</u>	<u>\$ 21,500</u>	<u>\$ 94,500</u>	<u>\$ 4,967</u>	<u>\$ 334</u>
\$ 57,628	\$ --	\$ 14,195	\$ 43,433	\$ 895	\$ 912
<u>33,000</u>	<u>--</u>	<u>33,000</u>	<u>--</u>	<u>323</u>	<u>--</u>
<u>\$ 90,628</u>	<u>\$ --</u>	<u>\$ 47,195</u>	<u>\$ 43,433</u>	<u>\$ 1,218</u>	<u>\$ 912</u>

CITY OF WASHINGTON, IOWA
BOND AND NOTE MATURITIES
June 30, 2015

Year ending June 30,	General Obligation Bonds					
	Capital Loan Note		Capital Loan Note		Capital Loan Note	
	Issued June 18, 2008		Issued June 17, 2009		Issued July 2, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	3.75%	\$ 460,000	3.00%	\$ 130,000	1.50%	\$ 50,000
2017	3.90%	480,000	3.20%	130,000	1.50%	50,000
2018	4.00%	505,000	3.40%	130,000		--
2019		--	3.60%	155,000		--
2020		--	3.80%	160,000		--
2021		--	4.00%	170,000		--
2022		--	4.10%	175,000		--
2023		--	4.20%	185,000		--
2024		--	4.30%	195,000		--
2025		--	4.40%	205,000		--
2026		--	4.50%	215,000		--
2027		--	4.60%	230,000		--
2028		--	4.70%	245,000		--
2029		--	4.80%	220,000		--
		<u>\$1,445,000</u>		<u>\$2,545,000</u>		<u>\$ 100,000</u>
Year ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Notes		Other Notes		Police RMS System	
	Series 2006		Issued		Issued	
	September 15, 2006		October 4, 2013			
2016	4.30%	\$ 22,000	2.10%	\$ 14,178		
2017	4.30%	23,500	2.10%	14,474		
2018	4.30%	24,000	2.10%	14,781		
2019	4.30%	25,000		--		
		<u>\$ 94,500</u>		<u>\$ 43,433</u>		

(continued next page)

See accompanying independent auditor's report.

General Obligation Bonds					
Capital Loan Note		Capital Loan Note			
Issued July 1, 2013		Issued July 1, 2014			
Interest Rates	Amount	Interest Rates	Amount	Total	
0.75%	\$ 50,000	0.80%	\$ 49,892	\$	739,892
0.75%	50,000	1.20%	49,892		759,892
0.75%	48,714	1.50%	49,892		733,606
	--	1.80%	49,892		204,892
	--		--		160,000
	--		--		170,000
	--		--		175,000
	--		--		185,000
	--		--		195,000
	--		--		205,000
	--		--		215,000
	--		--		230,000
	--		--		245,000
	--		--		220,000
	<u>\$ 148,714</u>		<u>\$ 199,568</u>	\$	4,438,282

CITY OF WASHINGTON, IOWA
BOND AND NOTE MATURITIES - Continued
June 30, 2015

Year ending June 30,	Revenue Bonds					Total
	Series 2011		Series 2012			
	Issued		Issued			
	September 21, 2011		April 4, 2012			
	Interest Rates	Amount	Interest Rates	Amount		
2016	3.00%	\$ 100,000	3.00%	\$ 64,000	\$ 164,000	
2017	3.00%	100,000	3.00%	66,000	166,000	
2018	3.00%	369,000	3.00%	68,000	437,000	
2019	3.00%	381,000	3.00%	70,000	451,000	
2020	3.00%	393,000	3.00%	73,000	466,000	
2021	3.00%	406,000	3.00%	75,000	481,000	
2022	3.00%	419,000	3.00%	77,000	496,000	
2023	3.00%	433,000	3.00%	80,000	513,000	
2024	3.00%	447,000	3.00%	82,000	529,000	
2025	3.00%	461,000	3.00%	85,000	546,000	
2026	3.00%	476,000	3.00%	88,000	564,000	
2027	3.00%	492,000	3.00%	91,000	583,000	
2028	3.00%	508,000	3.00%	94,000	602,000	
2029	3.00%	524,000	3.00%	97,000	621,000	
2030	3.00%	541,000	3.00%	100,000	641,000	
2031	3.00%	559,000	3.00%	103,000	662,000	
2032	3.00%	577,000	3.00%	106,000	683,000	
2033	3.00%	596,000	3.00%	110,000	706,000	
2034	3.00%	615,000	3.00%	113,000	728,000	
2035	3.00%	635,000	3.00%	117,000	752,000	
2036	3.00%	656,000	3.00%	121,000	777,000	
2037	3.00%	677,000	3.00%	125,000	802,000	
2038	3.00%	699,000	3.00%	129,000	828,000	
2039	3.00%	722,000	3.00%	133,000	855,000	
2040	3.00%	745,000	3.00%	137,000	882,000	
2041	3.00%	563,000	3.00%	142,000	705,000	
2042		--	3.00%	147,000	147,000	
		<u>\$ 13,094,000</u>		<u>\$ 2,693,000</u>	<u>\$ 15,787,000</u>	

See accompanying independent auditor's report.

CITY OF WASHINGTON, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:				
Property tax	\$ 3,267,526	\$ 3,209,016	\$ 3,071,074	\$ 2,855,973
Tax increment financing	215,206	149,557	128,147	412,169
Other city tax	825,689	816,399	774,672	1,191,364
Use of money and property	23,141	33,601	62,061	133,522
Licenses and permits	58,908	10,696	1,761	102,917
Intergovernmental	2,377,451	903,850	1,186,036	2,353,434
Charges for service	131,127	143,559	181,176	196,083
Special assessments	26,758	39,159	26,834	14,926
Miscellaneous	<u>1,591,193</u>	<u>1,630,055</u>	<u>1,515,118</u>	<u>1,011,369</u>
Total	<u>\$ 8,516,999</u>	<u>\$ 6,935,892</u>	<u>\$ 6,946,879</u>	<u>\$ 8,271,757</u>
Disbursements:				
Operating:				
Public safety	\$ 1,752,423	\$ 1,696,702	\$ 1,660,239	\$ 1,635,509
Public works	1,517,128	1,285,350	1,073,896	1,418,092
Culture and recreation	1,036,518	954,821	855,510	833,069
Community and economic development	15,342	62,752	264,215	66,250
General government	776,462	819,975	764,518	978,299
Debt service	950,438	888,347	1,589,854	1,021,522
Capital projects	<u>2,535,258</u>	<u>1,572,030</u>	<u>1,350,909</u>	<u>1,651,932</u>
Total	<u>\$ 8,583,569</u>	<u>\$ 7,279,977</u>	<u>\$ 7,559,141</u>	<u>\$ 7,604,673</u>

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 2,629,923	\$ 2,533,258	\$ 2,405,145	\$ 2,350,999	\$ 2,365,634	\$ 2,345,992
311,511	336,447	209,724	104,729	113,794	101,008
1,096,587	670,139	612,723	709,116	671,072	455,213
120,811	89,186	140,156	134,280	195,990	69,611
107,011	82,522	130,196	109,264	119,148	154,770
1,287,291	1,460,773	1,181,813	1,220,791	1,165,904	855,371
201,540	153,610	616,050	518,170	399,797	218,106
13,580	12,221	7,009	12,559	14,963	32,849
<u>927,024</u>	<u>1,825,514</u>	<u>2,822,372</u>	<u>704,243</u>	<u>705,606</u>	<u>113,484</u>
<u>\$ 6,695,278</u>	<u>\$ 7,163,670</u>	<u>\$ 8,125,188</u>	<u>\$ 5,864,151</u>	<u>\$ 5,751,908</u>	<u>\$ 4,346,404</u>
\$ 1,644,493	\$ 1,604,339	\$ 1,822,455	\$ 1,503,628	\$ 1,355,269	\$ 1,561,645
1,191,871	1,076,942	1,009,014	1,544,143	1,405,445	691,540
932,355	824,578	936,866	913,776	819,720	687,928
66,082	55,364	63,371	98,868	342,321	125,114
946,185	977,718	1,001,763	878,786	919,301	846,315
1,166,467	1,040,256	949,377	909,786	941,246	918,085
<u>1,546,539</u>	<u>3,415,095</u>	<u>6,275,982</u>	<u>644,339</u>	<u>248,737</u>	<u>291,636</u>
<u>\$ 7,493,992</u>	<u>\$ 8,994,292</u>	<u>\$ 12,058,828</u>	<u>\$ 6,493,326</u>	<u>\$ 6,032,039</u>	<u>\$ 5,122,263</u>

CITY OF WASHINGTON, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0093-007	\$ 1,581,613
Airport Improvement Program	20.106	3-19-0093-05	4,236
			<u>1,585,849</u>
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-8140(610)--70-92	8,663
			<u>\$ 1,594,512</u>

Basis of Presentation -The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Washington and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 9, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Washington's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Washington's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Washington's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 15-II-A.

To the Honorable Mayor and
Members of the City Council

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Washington's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

The City of Washington's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Washington's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gmenich, Ben, Kyhn + Co. P.C.

Atlantic, Iowa
January 9, 2016

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council

Report on Compliance for Each Major Federal Program

We have audited the City of Washington, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Washington's major federal program for the year ended June 30, 2015. The City of Washington's major federal program is identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Washington's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Washington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Washington's compliance.

To the Honorable Mayor and
Members of the City Council

Opinion on Each Major Federal Program

In our opinion, the City of Washington complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Washington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Washington's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Washington's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gmewahl, Ben, Kyhan & Co. P. C.

Atlantic, Iowa
January 9, 2016

CITY OF WASHINGTON, IOWA
Schedule Of Findings And Questioned Costs
Year ended June 30, 2015

PART I: Summary of the Independent Auditor's Results

Financial Statements

- (a) Type of auditor's report issued:
- Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Internal control over financial reporting:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported
- (c) Noncompliance material to financial statements noted? yes X no

Federal Awards

- (d) Internal control over major program:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? yes X none reported
- (e) Type of auditor's report issued on compliance for major programs:
- Unmodified.
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133? yes X no
- (g) Identification of major programs:
- Department of Transportation:
- CFDA Number 20.106 - Airport Improvement Program
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as low-risk auditee? yes X no

CITY OF WASHINGTON, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

15-II-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF WASHINGTON, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

PART III: Findings and Questioned Costs For Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

PART IV: Other Findings Related to Statutory Reporting

15-IV-A Certified Budget: Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation: The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: We amended the budget; however, an error was made on the budget hearing notice, which resulted in a lower budgeted amount than intended and disbursements exceeding the budget.

Conclusion: Response accepted.

15-IV-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

15-IV-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

CITY OF WASHINGTON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

PART IV: Other Findings Related to Statutory Reporting - Continued

- 15-II-D Business Transactions: Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Sign Design Tom Wide is the owner of the business and the Fire Chief	Miscellaneous items	\$ <u>772</u>

In accordance with Chapter 362.52(3)(j) of the Code of Iowa, the transactions with the Fire Chief do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

Recommendation: The Council should continue to monitor purchases from City official owned businesses and assure that conflicts of interest are limited to required transactions. Reasons for and approval of such transactions should be documented.

Response: The Council will continue to monitor and document reasons for and approval of transactions that appear to represent any conflict of interest.

Conclusion: Response accepted.

- 15-IV-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 15-IV-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.
- 15-IV-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.
- 15-IV-H Revenue Bonds: No instances of non-compliance with the revenue bond resolutions were noted.
- 15-IV-I Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

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